

Message Text

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P 212144Z MAY 75

FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA PRIORITY

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

UNCLAS STATE 118930

E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: MECANICA 75

REF: (A) BRASILIA 3593, (B) BRASILIA 3692, (C) STATE 101176

1. CONTRARY TO EARLY ENTHUSIASM SHOWN BY U.S. INDUSTRY, COMPANIES ARE NOW CHANGING TO NEGATIVE ATTITUDE CONCERNING PARTICIPATION IN MECANICA 75. COMMERCE COUNTRY MARKETING MANAGER FOR BRAZIL TED JOHNSON ATTENDED LUNCHEON WITH NATIONAL MACHINE TOOL BUILDERS ASSOCIATION ON MAY 15 WHICH CLEARLY EVIDENCED NEW APPREHENSION. MORE SPECIFICALLY, ALMOST 1,000 SQUARE METERS OF SPACE FORMERLY RESERVED BY MEMBERS OF NMTBA HAVE BEEN CANCELLED. COMPANIES ARE REPORTING THAT (1) THEIR BRASILIAN AGENTS ARE ADVISING AGAINST PARTICIPATION BECAUSE OF DIFFICULTIES IN OBTAINING IMPORT LICENSES AFTER SALE OF EQUIPMENT, (2) THERE ARE TACTICAL DELAYS BY C.D.I. IN APPROVING PROJECTS INVOLVING METALWORKING EQUIPMENT AS WELL AS FREEZING OF DUTY EXEMPTIONS, (3) THEY EXPECT HIGH STORAGE COSTS AND POSSIBLE EQUIPMENT DAMAGE BECAUSE OF LONG DELAYS IN OBTAINING

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AUTHORIZATION TO TRANSFER EQUIPMENT SOLD OFF-THE-FLOOR TO

PROSPECTIVE BUYERS. SEVERAL U.S. COMPANIES HAVE INDICATED THEIR DISTRIBUTORS HAVE ADVISED THAT GOB, DUE TO CRITICAL BALANCE OF PAYMENTS, IS INSTRUCTING AUTHORITIES TO DELAY ISSUANCE OF IMPORT AND CDI CLEARANCES.

2. IN AN ATTEMPT TO RECOUP U.S. EXHIBITOR ENTHUSIASM, REQUEST CONGEN SAO PAULO REVIEW WITH FAIR AUTHORITIES, AND EMBASSY BRASILIA REVIEW WITH FOREIGN OFFICE, THE POSSIBILITY OF BRAZILIAN MEASURES TO ENABLE QUICK TRANSFER OF GOODS TO CUSTODY OF BUYERS AT CONCLUSION MECANICA EXHIBITION, BEFORE NATIONALIZATION PROCEDURES COMPLETED. NEED IS EVIDENT SINCE STORAGE COSTS FOR METALWORKING EQUIPMENT AT RATE OF 1.00 DOLLAR/CU M/DAY FOR LARGE EQUIPMENT AVERAGING 20 CU M COULD COST USG FOR NTM EXHIBITORS AS MUCH AS 1,800 DOLLARS FOR THE 90 DAY FREE STORAGE PERIOD PROVIDED AND COULD COST ESTABLISHED EXHIBITORS MUCH MORE FOR LONGER WAITING PERIODS.

3. POSTS MIGHT CONSIDER PRESENTING DIPLOMATIC NOTE CONCERNING SUCH RESTRICTIVE PRACTICES REGARDING TRADE EXHIBITIONS SIMILAR TO NOTE PER REFTTEL (B).

4. COMMERCE ALSO REQUESTS EMBASSY ATTEMPT A NEW APPROACH WITH MINISTRY OF TRANSPORTATION (MOT) REGARDING, MOT TAXES OUTLINED IN ANHEMBI CUSTOMS BONDED WAREHOUSE GENERAL REGULATIONS BOOKLET. IN LIEU OF THE REQUEST FOR THE COMPLETE WAIVER OF THESE TAXES FOR EXHIBITED EQUIPMENT COMMERCE SUGGEST THAT FOR MECANICA, THE EMBASSY REQUEST FROM MOT THE POSTPONEMENT OF THE PAYMENT OF THESE TAXES UNTIL SALES ARE FINALIZED FOR EQUIPMENT SOLD OFF THE FLOOR. AS ALWAYS WE BELIEVE THAT THESE TAXES SHOULD BE WAIVED BY GOB ON EQUIPMENT THAT IS RE-EXPORTED.

5. PROCESSING AND HANDLING CHARGES BY EUDMARCO OF 145.00 DOLLARS PER METRIC TON OR 60.00 DOLLARS PER CUBIC METER WHICHEVER IS GREATER PER SECTION 7.6.8 OF FAIR GENERAL REGULATIONS IS EXCESSIVE FOR LARGE METALWORKING EQUIPMENT. COMMERCE NEGOTIATIONS WITH FREIGHT FORWARDERS IN ALL PARTS OF WORLD ALWAYS CONTAIN A SLIDING SCALE FOR PROCESSING AND HANDLING CHARGES SINCE MOST OF THE FREIGHT

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FORWARDERS OVERHEAD COSTS ARE STATIONARY WHETHER EQUIPMENT WEIGHS 1 TON OR 100 TONS. SUCH OVERHEAD COSTS INCLUDE (1) GENERAL GUIDANCE AND ASSISTANCE TO THE EXHIBITOR, BEFORE, DURING AND AFTER THE FAIR (2) CHECKING OF MERCHANDISE AND ITS PRINTED FORMS, AND (3) COMMISSION FOR PROFESSIONAL SERVICES. REQUEST CONGEN SAO PAULO APPROACH EUDMARCO TO DETERMINE POSSIBLE DOWNWARD ADJUSTMENT IN PROCESSING AND HANDLING CHARGES. POSSIBLE TERMS FOR LARGE EQUIPMENT

COULD PROVIDE FOR 145.00 DOLLARS PER METRIC TON OR 60.00 DOLLARS PER CUBIC METER FOR 1ST TON OR CUBIC METER, RESPECTIVELY, WITH POSSIBLE 25 REDUCTIONS FOR EACH TON OR CUBIC METER THEREAFTER. FOR EXAMPLE, AT PRESENT AN EXHIBITOR SHIPPING A 5 TON MACHINE WOULD BE REQUIRED TO PAY THE FREIGHT FORWARDER 725.00 DOLLARS FOR PROCESSING AND HANDLING CHARGES FROM SANTOS TO THE BOOTH. UNDER A 25 REDUCTION PER TON, HE WOULD BE REQUIRED TO PAY

145.00 DOLLARS FOR FIRST TON, 108.75 DOLLARS FOR SECOND TON, 81.55 DOLLARS FOR THIRD TON, 61.15 DOLLARS FOR FOURTH TON AND 45.85 DOLLARS FOR FIFTH TON FOR TOTAL OF 442.30 DOLLARS. ON SAME BASIS, A 10 CUBIC METER SHIPMENT WOULD COST 60.00 DOLLARS FOR 1ST CU METER, 45.00 DOLLARS FOR 2ND CU METER, 34.00 DOLLARS FOR 3RD CU METER, ETC. IF PRESENT RATE WAS NOT ADJUSTED, SEVERAL EXHIBITORS WOULD HAVE TO PAY OVER 2,500 DOLLARS FOR ONE-WAY FREIGHT CHARGES FROM SANTOS TO EXHIBIT HALL.

6. REQUEST POSTS RESPONSES ASAP FOR COMMERCE DEPARTMENT FOLLOW UP DISCUSSION WITH NATIONAL MACHINE TOOL BUILDERS ASSOCIATION OFFICIALS. INGERSOLL

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